Solvency continues to increase, and Core Tier I is now close to 13%, a rate similar to that estimated by the EBA for the end of 2016 in the baseline scenario of the recent stress test

Kutxabank profit up by 66% to €100 million in third quarter

- **New mortgage loans granted were up by 30.5% in the first 9 months of the year, and corporate loans by 30.8%.**
- **The amount and new entries of nonperforming assets were down and the NPL ratio was contained.**
- **The financial Group maintained its criterion of utmost prudence by earmarking €280.7 million for provisions.**

Bilbao, 1 December, 2014. The Kutxabank Group reached the end of the third quarter of 2014 with a **net profit** of €100 million, 65.9% more than in the equivalent period of 2013.

One of the stand-out features of Kutxabank's P&L account is the steady, positive trend in **Interest margin**, which is up by almost 1% in the latest quarter (June-September) from the minimal levels recorded at the start of the year. This upturn is set against a background of historical minimum interest rates, with the EURIBOR at 0.362% at the end of September. Other circumstances such as negative repricing in the mortgage portfolio, the replacement (on the terms envisaged in law) of the IRPH (mortgage loan reference) indexes, which was completed in November, and the elimination of certain floor clauses continued to impact negatively on the Group's financial revenues.

This turnaround in the trend in Interest margin, together with the positive effect on commisions of the substantial increase in the volume of investment funds and pension plans, has resulted in continued increases in **Aggregate of NIM and fee income** to €716 million over the first three quarters of the year, in spite of the cut in charges on cards introduced in September.

The **Gross margin** was €926.7 million, as the drop in revenue from dividends and other trade income was offset by a positive contribution of the equity stake portfolio that with a management based in the equity portfolio, addresses the strategic evolution of the invested companies and market opportunities.

Kutxabank Group has maintained in the period a **cost containment policy**, and its long-established criterion of utmost prudence in management. General expenditures was down by 6.1% on the figure for last year in spite of the repercussions of the new tax on deposits. **Pre-provisioning profit** was €358.2 million.

Kutxabank's General expenditures was down by 6% in the third quarter in spite of the repercussions of the new tax on deposits.

After the major efforts made in 2013 and in the early months of 2014 to reinforce solvency levels, and with an improvement in risk quality, Kutxabank continued to earmark €280.7 million for provisions in the first nine months of the year.

Lending to individuals and businesses continued to increase

In the evolution of pure banking business in which the Group bases its activity, highlights the path to sustained recovery in **new Loans** from the beginning of the year, and the high pace of **capture** in all networks.

The **customer funds** captured by Kutxabank's networks to the end of the third quarter totalled €51,445 million, 5.7% up on the same period in 2013. There was a noteworthy increase in **cash deposits**, which were up by 5.7%, but the biggest increases were in **pension plans** (up 7.8%) and above all **investment funds**, which were up by 40.8%. This rise in investment funds was due to the particularly good performance of delegated portfolio management and actively managed funds, which now account for 60% of net funds contracted.

In this context of generalised growth, the 11.5% growth in the **wholesale banking network** stands out. Moreover, SME funding was up by 13.5%, confirming the gradual improvement in the economy. In the **retail network**, which deals with individuals, there was an increase of 5.2% in the same period.

At the end of the third quarter turnover at the Kutxabank Group was up by 30.5% for new **mortgage loans** and by 37.6% for **consumer loans**. The new loans formalised partly offset the 5.8% fall in lending compared to the same period of last year across all business networks.

The gradual recovery in demand for funding from SMEs resulted in an increase of 30.8% in funding for businesses.

The gradual recovery in demand for funding from SMEs in the first 9 months of the year resulted in an increase of 30.8% in **new funding for businesses**, mainly in the form of financing for **fixed assets and funding for access to foreign trade**. The turnaround in the trend in foreign trade operations was perceptible a year ago, as evidenced by a year-on-year increase of 26.5%.

Among the specific financing lines designed by Kutxabank for businesses the **‘Makina Berria’** plan, which provides funding for replacing production machinery, was particularly well received. Funding to provide firms with floating capital via trade discounts was up by 25.5% to 30 September.

As a result the Group’s **Turnover** was €110,615 million.

Increasingly strong leadership in terms of solvency

Since the start of 2014 **new entries of nonperforming assets have fallen steadily**, and at the end of the third were 50.9% lower than at the equivalent time in 2013.

In spite of the drop in balances of nonperforming assets over the course of the year, the **NPL ratio** remains practically unchanged due to the contraction of loans. The NPL ratio in the retail banking business network in the Basque Country, which includes residential mortgage loans, was 2.6% at the end of September. Excluding real estate operations, the **Kutxabank Group’s NPL ratio** stood at 5.8%, a figure that compares very favourably with the average for the sector as a whole, which stood at 13.017% at the end of the third quarter.

The Group’s Equity increased by 4.68% in the first nine months of the year, to €5,143 million.

Kutxabank, that in the recent round of European stress tests reaffirmed its position as the most solvent bank in Spain, has continued to **improve its solvency level** since the start of the year. Its **Core Tier I ratio** has increased by almost a whole point: on 30 September it stood at 12.9% (compared to 12% at the end of 2013), very close to the 13.1% estimated by the European Banking Authority for the 2016 baseline scenario.

The Group’s Total Capital ratio is 13.3% (12.4% at the end of 2013), and its Leverage Ratio is 7.4%, at the top of the sector.

The **fully loaded** version of the same ratio (i.e. calculated as if the new rules were already fully phased in) is **12.3**%.

The Group's Total Capital ratio stands at 13.3% (12.4% at the end of 2013) and its **Leverage Ratio** is the best in its sector at 7.4%, well over twice the required minimum of 3%.

The increase in solvency at the Kutxabank Group was achieved thanks to the combined effects of organic capital and the continued rationalising of the risk portfolio.

Results for the Kutxabank Group to 30 September 2014

(millions of euros)	**2014**	**Δ%**
Interest margin	459.3	-18.0%
Commisions	256.7	7.2%
Aggregate of NIM and fee income	**716.0**	-10.5%
Equity method income	52.7	-17.1%
Income from organisations accounted for using equity method	11.0	-41.0%
Trading income & others	146.9	-4.2%
Gross margin	**926.7**	-10.5%
General expenditures	-520.8	-6.1%
Amortisations	-47.7	-12.2%
Pre-provisioning profit	**358.2**	-16.0%
Impairment of financial assets & other provisions	-280.7	-28.3%
Other results	31.8	n.a.
Pre-tax income	**109.2**	127.4%
Profit attributed to the Group	**100.0**	65.9%